UNITED STATES DEPARTMENT OF AGRICULTURE
Extension Service



A SERIES OF RADIO TALKS ON THE POSSIBILITIES
OF COOPERATIVE MARKETING*

Prepared by the Division of Cooperative Marketing
of the Federal Farm Board

## No. 1 -- What is the Agricultural Problem?

Before we take up cooperative marketing as a help in solving the farm problem, let's first get a clear view of what this "problem" is. A simple statement of conditions farmers now face, may do well for a starter.

Mr. A. W. McKay, the chief of the cooperative marketing division of the Federal Farm Board, agreed to open this series by answering the question: "What is the agricultural problem?"

"From the point of view of the farmer," he says, "the agricultural problem is the inability of the farmer to sell what he produces for enough to pay expenses and give him a fair return on the capital he has invested in this farm business."

Mr. McKay points out that this problem has largely arisen out of three things: first, the growing of surplus quantitites of various crops; second, uncontrolled marketing; and third, uncertain or irregular prices.

"In the early days," he says, "the farmer produced crops mainly for home consumption. As a rule, the harder he worked, and the more acres he planted, the more money he would make."

Now, in our present-day commercial agriculture, often the harder the farmer works, the better the growing conditions, the more acres he has planted, and the bigger crop he grows, the less he may get for it.

He is told he has produced a surplus and that more of his product is offered on the market than the market can absorb at prices which will give him a profit.

For example, cotton growers in 1926 raised nearly two million more bales of cotton than the year before. But that bigger crop actually paid them about $500,000,000 less than the smaller crop had paid.

In cases of such surpluses, farmers are often advised to turn to other crops -- to diversify. Often it is hard for some farmers to do that.

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* This series comprises 16 talks which will be broadcast on successive Thursdays beginning June 5 over 79 radio stations cooperating with the U. S. Department of Agriculture and the Federal Farm Board. Copies of these talks are being sent to all extension workers.

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Their land may be suited to certain crops and not to others. They may know how to raise one thing, but be absolutely inexperienced in growing the proposed substitute. In any event, the farmer may be uncertain as to what to substitute. In recent years, there have apparently been surpluses in nearly all farm products at some time.

The fundamental difficulty, seems to be, according to Mr. McKay that the successful marketing of farm products has developed from a local basis to one which has come to involve widespread, often world-wide, conditions.

The pioneer farmer was growing stuff for his own use or for use in his own local community. He was able to gauge the demand and adapt his production to it. At the present time, our cotton and wheat growers produce for a world market. Crop conditions in India or Australia may affect the prices we get. Even the relative prosperity of consumers in different European countries may be a factor in the demand and consequent prices.

The farmer, as an individual, does not have the understanding or control of market conditions which his forefathers had. He finds it hard to get all the information he needs under modern conditions, although the United States Department of Agriculture and other public agencies have made a good start toward supplying such information. Even when he has it, it may be of little use, because other farmers less well informed may upset all his plans.

In addition to all this, there has been an increase in the output of farms crops per man. It is estimated that the output per man has increased about thirty per cent in the past fifteen years. Paradoxical as it may seem, by increased efficiency in production the farmer has added to the surplus of farm products and increased his market problems.

But the surplus is not the only phase of the farm problem. Except in isolated instances, the marketing of their crops has not been under the control of the farmers. When the distant demand became more important, individual farmers were unable to handle farm products all the way to the consumer market. Large numbers of middlemen entered the business of marketing farm products. That resulted in conditions which have proved unfavorable to farmers.

A large number of small, competing agencies grew up. That resulted in duplication of packing plants and warehouses. That has meant added expense and increased the farmers' costs. Then too, there has been more or less speculation by middlemen, which has resulted in losses to both producers and consumers.

However, the most serious effect of this system, Mr. McKay estimates, is that the production of desirable grades and varieties of farm stuff has not been encouraged. Privately owned agencies have been inclined to pay flat-prices. The man who produces A-No. 1 potatoes, for instance, gets the same price as the man who produces inferior grades.

That kind of thing has tended to result in progressively lower qualities and the many inferior farm products put on the market have increased handling and marketing charges generally. Payment of freight on unsalable products reduces the farmer's returns. Low grade products also have an unfavorable influence on consumer demand.

The farmers' lack of control in his markets and the production of surpluses are two of the main phases of the farm problem. Closely connected with these two is that other phase of uncertain prices.

It is not high prices which agriculture needs so much as it is more certain or more stable prices. Organized dairymen in many sections have learned that. They have found that if they can produce market milk profitably at $3.00 a hundredweight, it is to their interest to sell at about that level, rather than raise the price, say to $3.50 and bring into their market milk from outlying districts. It is the same with wheat or other products. If a good, average wheat grower in Kansas can produce profitably at $1.50 a bushel, it is to his interest to sell for that. $3.00 wheat will bring producers on marginal and submarginal land in competition with him. The temporary gain will be more than offset by later losses. No business can avoid more or less frequent losses, if the price of the stuff it produces or handles is subject to violent ups-and downs.

These three things, uncertain prices, uncontrolled markets, and surplus production, form the three-headed monster which now prevents farmers from escaping from the Hades of Unprofitable Farming.

Next week we will see what Co-ops can do in the way of taking a whack at that uncontrolled markets head of this Farm Problem Monster.

## No. 2 - What Can Farmers Do To Improve Marketing?

What can farmers' co-ops do? How can they help solve this gigantic problem of crop surpluses, and uncertain prices, and uncontrolled marketing?

I took this question to Dr. Frank B. Bomberger, who is in charge of the organization work of the cooperative marketing division of the Federal Farm Board. He outlined to me some of the improvements cooperation can make in marketing.

But first he pointed out why we need cooperation.

In the old days, most farm stuff was grown for local consumption. No farmer had to pay much attention to what other farmers were doing. He took his stuff to market himself and dickered directly with the retailer or the consumer.

Now, Dr. Bomberger says, seventy-five per cent of our supplies come from remote distances. It is estimated that on the average, our food products travel 1,500 miles to market. When a farmer sits down to think what he can do to improve conditions in marketing, he is likely to find himself at sea.

He is only one of more than six million farmers. What the other six million are doing, as a rule, he has little means of finding out. How many of those growing similar or competing products will dump their stuff on the market the same time he does, he doesn't know. Even if he, as an individual, devotes intelligent effort toward cutting down his cost of production and improving the quality of his product, he may be out of luck. What the other fellows do may prevent his getting any reward for his extra work.

In most cases, his production is so small, he can't make any serious impression on the market. He has to ship in small quantities. He has to pay the high freight rates and high handling charges which often go with small-sized shipments.

The minute he begins to think about cooperation with his fellow producers, however, many opportunities open up.

Through cooperation, uniform grading standards can be adopted and an impartial grading and inspection system can be put in operation. Farm products can be put on the market under the most favorable conditions.

As Dr. Bomberger says, nobody questions the fact that the trade is willing to pay more, and consumers are willing to pay more, for standardized products, packed so as to show their standard quality. Standardization is recognized as the fundamental basis of cooperative marketing.

As soon as a standardization program is in operation, the cooperative is assured of a volume of products which enables it to ship in carload lots and to supply a much wider market.

An individual farmer with a small quantity of stuff is limited almost entirely to local or near-by markets. An organization with an abundant supply of standardized products may send its stuff to the remotest market in the country.

The organization can afford to advertise its standardized products under nation-wide brand names. Some of our most successful farmers' associations now market their products under names recognized by consumers from one end of the country to the other.

Standardization and advertising enable consumers to get a more uniform product, and a better quality product, at a price in harmony with the quality of the product and the service rendered to them. Consumers have actually benefited in improvements of the quality of stuff offered on the market by co-ops. Producers have been benefited by the increased demand, which comes from the consumer's ability to rely on the uniform quality of the products marketed under efficient standardization.

The expansion of the market horizon is one of the most notable advantages that comes through a cooperative marketing program. An organization, by affiliation with others of the same sort, is enabled to cover a region or even the national field. That also gives it a chance to regulate the flow of its products to market.

One of the greatest evils in our present system of marketing farm products, Dr. Bomberger says, lies in the competitive selling by many individual producers and many selling organizations, whether cooperative or not.

On almost any market, at almost any time, when the supply is about equal to the demand for it, there is a tendency for the sales agency handling that product to develop a feverish haste or anxiety to get rid of the part of that commodity which they handle.

That eager selling competition often develops a market psychology which practically amounts to hysteria and panic. Many times, commodities are sold far below the values which any sane analysis of market conditions would have indicated. For example, Dr. Bomberger says he has seen fifty cents or even a dollar per barrel knocked off the price of early potatoes in one day merely because of a selling panic. In that case, with about five hundred cars being sold, the growers just lost fifty thousand to one hundred thousand dollars for no reason but the wild dumping of potatoes on the market.

A cooperative organization can prevent such a selling panic. If it is wide enough and has control of large enough percentage of the market supply, it can calmly consider the true market situation. By preventing sales competition it can steady the flow of that commodity to market and sell for the last penny the stuff is worth. That doesn't necessarily mean holding stuff off the market or damming it up by refusal to sell until arbitrarily fixed price is reached. It means just selling according to true demand conditions, instead of wildly dumping stuff on the market and knocking the bottom out of prices, in an eager effort to beat other producers to the market.

Expanding the market for the farmer's product and steadying the flow of products to market, by cutting down competitive selling, are two of the advantages possible through cooperatives. Another advantage is that the cooperative association affiliated with others in a wide-spread organization is in possession of the information needed to stabilize production. But that is another story. Next week we will take up the question of what farmers' co-ops can do toward improvements in production.

## No. 3 — What Can Co-ops Do To Improve Production?

What can co-ops do toward settling the farm problem? Everybody seems to admit that this question of surplus crops and uncontrolled marketing and uncertain prices is a hard nut to crack. What can farmers do cooperatively to meet the problem that they can't do as individuals?

That seems a fair question. That is the reason we put it up to the specialists of the Federal Farm Board. As you recall, one of them emphasized for us some of the improvements co-ops can make in marketing. But how about crop surpluses? That would seem to be more a matter for the individual farmers throughout the country. They are the ones who produce the stuff. Yet Dr. Hutzel Metzger, assistant chief of the Board's cooperative division, points out that some co-ops have been a big help toward better production practices on the farm.

As Dr.Metzger sees it, farmer owned co-ops as compared to private sales agencies, bring farmers a lot closer to the market. Most co-ops have a force of field men. Those field men are continually in contact with the producers. They bring producers information about the demand in the market.

That results in much quicker action in adjusting the quantity and quality of farm products so as to bring to the producer a greater return than is possible through private selling agencies which have no particular interest in getting such information to the farmers.

The closer touch with market demand in the case of fruit co-ops in the Northwest, Dr. Metzger says, has resulted in the elimination of undesirable varieties and grades.

Our leading butter co-op some time back had twenty per cent of the butter supplied by its member creameries scoring 93 or better. At the present time, over sixty per cent of its butter coming from almost 500 creameries scored 93 or better, and much of the remainder scored over 92 per cent. Over 90 per cent of the output of a number of its member creameries scores 93 or better.

That big improvement in quality was made by representatives of the co-op going right back to the members; and showing them it was necessary to bring in good cream to make good butter, as well as care in its manufacture.

In quite a few cases, farm stuff sold through co-ops is marked with the name of the individual producer and the association keeps track of it all the way to market. The co-op knows how it sells and grades out, and can keep the member advised as to any need for improvement. The commission man, on the other hand, often gets about as much whether the stuff is poor or high quality. He has little interest in keeping the producer in touch with market conditions.

Some co-ops have even taken steps to improve the seed used by their members. A potato growers' association of Florida contracts directly with growers in Maine for a particular kind of seed. Cotton co-ops have also succeeded in improving the quality of cotton produced by their members, in some cases. They have done that by encouraging the planting of one variety of cotton in a community, so as to avoid lowering the quality through accidental crossing with poorer cottons from near-by fields.

Co-ops can see that each individual grower is paid on a quality basis, so that the price reflects the quality produced. Any permanent improvement, of agriculture in this country, Dr.Metzger says, has to come through efforts to adjust production to demand, both as to quality and quantity.

The milk co-ops have been most successful in bringing about an adjustment of supplies to the demand. Some of them have cut down their surplus considerably. In the case of milk, the demand is more or less steady. On the other hand, there is naturally more milk produced in the summer. On first thought, it might seem that the milk co-ops, in trying to even up production to any considerable extent, would be faced with an impossible job.

In 1920, the milk co-op supplying the Philadelphia area had a big variation in its seasonal supply of milk. Its members produced 96 per cent more milk in the flush season than in the period of low production. Then the co-op put in its production control plan. That is, it paid its members a certain price for the milk they produced during the period of low production. Any quantity of milk in excess of that amount was paid for at a lower price. Prices talk a language most folks can understand. In five years, that co-op reduced its surplus from 96 per cent to 23 per cent.

The Connecticut Milk Producers handle the matter a little differently. That organization lets the producer name the amount he will agree to deliver all year around, and then penalizes him two cents a quart for any more or less than the agreed amount.

Some form of one or the other of those plans is now being used in the Baltiomore, Washington, Pittsburgh, Columbus, Boston, Chicago and other milk sheds. The result has been a more even supply of milk throughout the year, with a larger proportion during winter and a smaller proportion during summer than before. And, what's more, the average price to producers for the year has been higher than before. Producers have adjusted their supply more nearly to the needs of the market.

They were able to do that by having cows freshen in the fall; by feeding more in the fall, and by following the practice of buying up cows in the fall and weeding out the poor producers in the spring.

Some fruit co-ops have been able to reduce their surplus supply by taking inferior quality of fruit and manufacturing it into by-products and sending only the first quality fruit to market.

In all such adjustments of quantity and quality, the cooperative organization has a direct interest in the farmer getting as much as possible for his product. No private agency has that same interest.

The most important reason for cooperation, Dr. Metzger declares, is that it brings the producer closer to the market. With marketing machinery farmer-owned and controlled, the producer has the means of getting the information needed to know what he can do to bring about some improvement and adjustment in production.

However, all co-ops have not been equally successful, in helping their members. We have noted some of the improvements in marketing and production which comes from cooperation. Granting the co-op is a good thing for the farmers, if well managed, will ours be a success or a failure? What are the principles followed by successful co-ops? Next week we'll look into these questions.

## No. 4 - Principles Followed by Successful Co-operative Associations

As we have heard, cooperative marketing has possibilities of being a big help, in solving our farm problem. Co-ops can bring about improvement, in both marketing and production. Of course, a lot depends on how successfully the co-op does its job.

Mr. A. W. McKay, chief of the cooperative marketing division, of the Federal Farm Board, points out that many co-ops have been successful. Others, he says, have been partly successful. Others, he admits, have completely failed.

Any of us planning to have a farmers' cooperative association, naturally want to know how the successful ones get that way. Mr. McKay answers us by listing an even half dozen things which he has found to be true of the inner workings of success in farmers' co-ops.

The successful co-ops; first, fill a real need. Second, they are soundly organized. Third, they are supported by their members. Fourth, they improve grading, handling and marketing methods. Fifth, they handle a large enough volume of business. And sixth, they have efficient management and financial stability.

Now, let's let Mr. McKay go into these six principles of success a little further.

First, Is there a real need for an association? Is there a service it can perform? If so, what are the needs and services? Is our crop being handled and marketed efficiently under present conditions? Are local handling charges reasonable?

Many dealers may be handling our stuff. Each must make a living. Taken together, their overhead costs may be much bigger than we would have if we had one big overhead marketing organization. Or, we may not be getting the full value for our products we would get if properly graded and sold on a quality basis.

However, granting that there is a real need for an association, to be successful, it must be soundly organized. Mr. McKay says that successful associations have provisions in their articles of incorporation which safeguard the cooperative features of the business. They provide that the directors be elected by the members. They limit the control one member or any one group of members can exercise on the association, and limit the amount of dividend to the usual rate of interest.

In general, they follow the Capper-Volstead law which provides that such an association shall be organized for the mutual benefit of its members, and either on the principle of one-man-one-vote or dividends on capital stock are limited to not over eight per cent. And, of course, the successful association is well organized from a business point of view. It is set up to do the thing for which there is the greatest need. It is adapted to the product and to conditions.

Soundly organized to meet a real need, the successful farmers' co-op has also been the one which has the support of its members. As Mr. McKay says, the successful association is guided and supported by its members. It is managed with a view to giving the members the greatest possible service. It gives to its membership full information about the working of the association. The successful association sees to it that its members have an opportunity to discuss any important change of policy, before such a change is put into effect.

In other words, the farmers' organization which has proved most productive of results is not the one controlled by one man, or by a little group of insiders. The successful associations have been managed in the interest of all their members.

Mr. McKay is very emphatic about this. From his study of co-ops from one end of this country to the other, he insists that success depends more upon the part members take in the organization than on any other one thing. If the members are indifferent or uninterested, one man or a few men can divert the association to their own ends. The chances of success are reduced.

Remember now, analysis of successful co-ops in the past has shown that they fill a real need, have a sound organization, and get the support of their members. Those are three of the six principles which we may use as a sort of rough framework for a model of a farmers' cooperative marketing association.

Now, let's follow Mr. McKay on the other three of these six principles. He says the successful associations have improved grading and handling. By the establishment of standard grades, they have been able to stabilize and increase the demand for their stuff. Then by pooling the returns and paying according to the quality or grade delivered by the members, they have improved production. In other words, they have taught their members to adapt production to the needs and demands of the market.

Tied up with this question of standardization, and grading, and handling, is the question of volume. The successful association has big enough volume of business. By "big enough" we mean big enough to lower costs in handling, and introduce economics not possible where stuff is handled in small quantities. Also we mean big enough to give enough income to enable the co-op to make improvements in handling and marketing practices.

The soundly organized and well-supported association which fills a real need, improves the grading and handling of the stuff supplied by the member-farmer, and handles big enough quantity of the product to enable it to make improvements, must have yet another thing, to long stay in the ranks of successful co-ops.

The successful association must have efficient management and financial strength. The needs for capital vary. Some associations have to operate plants. Other have very small overhead expense. Any association needs enough capital to do the particular job it has undertaken.

Some of the successful associations had to start on little capital. But a co-op should have enough to provide for the necessary fixed and working capital. The successful association provides right at the start for the accumulation of needed reserves. That is, it sets aside funds against the proverbial rainy day.

In this connection, Mr. McKay points out that the successful co-op keeps records. Its policies are based on facts, not on guess-work.

Let's remember these six principles which have been followed by our successful co-ops. First, they fill a real need. Second, they are soundly organized. Third, they are supported by the members. Fourth, they improve grading and handling. Fifth, they handle enough business, and Sixth, they have efficient management and financial stability.

And now that we have seen what makes for success, next week we will look into the question of why some farmers' co-ops fail.

## No. 5 - Why some Farmers' Co-ops Have Failed

You know the old saying; "A wise man learns from the experience of others."

Knowing where the other fellows have gone wrong, the wise man avoids making the same mistakes. That applies in this cooperative marketing business, the same as anywhere else.

And thanks to Mr. John Scanlan, of the cooperative marketing division, of the Federal Farm Board, we can know, where the chief troubles have been, with most of the associations which have failed.

Taken by and large, he says, the chief causes of co-op failure have been; mistakes in promotion and organization; poor, inefficient, and untrained management; inherent difficulties in marketing and commodity, and problems traceable to the members.

You see from that fourth cause that this question of co-op failure sometimes comes pretty close home. And I might say right here, Mr. Scanlan bases his findings on a cold-blooded business analysis of the stranded organizations.

But first, let's take up mistakes in promotion. Many farmers' co-ops have finally gone on the rocks, largely because they started out wrong. As Mr. Scanlan points out, just after the World War, when prices of farm products took a precipitous drop from the abnormally high war time prices, most of our big co-ops were organized.

Most of them aimed to get control of a large part of the crop, and then force prices back to where they were before the slump. The promoters painted a rosy picture. They promised big things from cooperation ---- extravagant things. They stretched the possibilities of cooperation. They said very little about its limitations. They got that idea of crop control in the heads of members. Farmers were filled up with false hopes before

they joined. Large associations were hastily set up.

Looking back now, it is easy to see that many members were bound to be disappointed with results. The associations couldn't perform the miracles the members have been led to expect. Discouragement and disaster followed. But Mr. Scanlan says we have learned a lot since 1921 and 1922 about what a co-op can and can not do.

Of course, everybody knows another cause of trouble has been poor management. Mr. Scanlan agrees with that, but he doesn't put the blame all on the manager. He reminds us that the management includes the board of directors and the members who elect them. The manager is just the association's hired hand. Of course, general managers have made big mistakes. However, in the last analysis, it is the board of directors acting for the individual members who are the management. Many of the so-called mistakes of the management have been due to inexperience, to the knotty problems to be faced, or at times to the utter impossibility of doing what was expected. Farmers with little or no business experience were called upon to do things which would tax the ingenuity, and ability, and resourcefulness of men well-trained in marketing.

There were sales policies and prices to be determined. Selling, grading, and advertising had to be attended to. In many cases, outlets had to be found for the commodity. The association had to be financed. Advances had to be made to members. Accounts and records had to be kept.

Then in some cases, the trouble was in the farm product itself. Some farm products are harder to sell than others. That may be due to lack of big enough demand. Or it may be due to over-production. Or it may be due to the demand being in the hands of a few powerful organizations, out to kill the co-op if they can.

Heavy production and low prices during the first years of some associations gave them a poor start. Low quality crops had the same effect. Then too, some associations were like the man who was knocked out after he boasted he could whip anybody in the whole State. They just took in too much territory.

There you have three chief causes of co-op failures; first, a wrong start; second, poor management; and third, inherent difficulties in marketing certain commodities. The fourth, but by no means the least, cause of failure can be traced right back to the farm house door. Not that Mr. Scanlan puts the blame altogether on the members for failure to support the association. He says when members fail to patronize their association, it may be due to one or more of three main reasons.

The member may be able to get higher prices outside.

The member's dealings with the association may be unsatisfactory.

Or the member may be unable to get payment through his association promptly enough to enable him to meet his financial obligations.

Higher prices paid by outside buyers for the farmer's product may be due to a malicious attempt by outside agencies to break the co-op. Or, they may be due to honest attempts of outside agencies to get enough of the product to meet their needs.

On the other hand, members may lose confidence in their association due to extravagance, or to carelessness in keeping accurate records of each member's account, or to the management's attitude toward the members, or to many other causes. It may be because the member lacks real information about the affairs of his organization. It may be because he doesn't understand the principles of cooperative marketing.

Yet the failure of the member to support the association may be neither his own fault nor that of the management. The financial and economic condition of the farmers in some sections and with some crops make it possible for them to stick by the association. Farmers in other sections have found it almost impossible to market their products cooperatively under the type of association set up. Leadership also is quite a factor in holding members in spite of rough going.

In the past, many co-ops have failed. Many others have made mistakes, but have survived and grown in spite of them. Few have made no mistakes. Much has been learned about cooperative marketing during recent years. They have been years of experience. Even where associations have failed, Mr. Scanlan says, it is doubtful if the attempt ever was a complete loss. The benefits of experience, and information, and leadership should prove most helpful to future attempts and organizations.

## No. 6 - How to Form a Cooperative Association.

Now that we have a pretty good line on what a successful co-op is like, we come to this question of how to go about forming one.

Let's just consider ourselves as one group of farmers figuring on starting an association in our community. And let Mr. B. B. Derrick, in charge of the extension work of the Federal Farm Board, give us a few suggestions on what to do.

A cooperative association is not an end in itself, but a means to an end. As Mr. Derrick says, the first thing to do is to find out whether we really need an association. That is not so much a matter of the way we feel about it, as it is a question of cold, hard facts.

Will it be possible to cut the present costs in assembling and grading and packing our stuff? Will we be able to save on transportation, and warehousing, and selling through a cooperative association? Have we local leadership with enough knowledge of the particular product we have to sell to take on the responsibility of organizing and directing the co-op.

Few, if any, of us can answer such questions offhand. Mr. Derrick suggests we get in touch with the County Agent and the State and Federal Research and Extension people. They will help us determine the need.

Suppose we do need a co-op. Suppose we do have the men who can get behind this thing. Then the question is; Can we get enough business? Will our association have a reasonable chance of getting big enough volume to increase our bargaining power and cut the market costs compared to what they are now? The Extension men and other educational forces will help us make a survey to find that out.

In case we can't get enough, it may be to our advantage to join up with some other co-op that is already set up. It is perfectly plain, if there are too many associations in any territory, the least efficient ones are doomed to disaster.

Mr. Derrick thinks that many co-op failures in the past could have been averted, if the organizers had looked these questions squarely in the face at the start. Even if there is enough business if we got it all, we should hear in mind we can't expect to get it all. It will be a long time before any farmers' co-op is ever able to get 100 per cent of the business in its territory. How much is actually available? That's the question.

Say, with the help of the experts, we find we have the need, and the volume, and the leadership. The next thing is to get a good manager who knows the commodity our association will handle. Some associations have paid dearly for the education of inexperienced managers. Organization can't take the place of efficient management. Mr. Derrick says, Never hire a poor general manager because he is cheap. Good management is worth all it costs, if due consideration is paid to getting our money's worth. The Extension and other agricultural forces may help us find a manager who knows selling methods and markets in our commodity.

Then there is the question of money. No matter how small the beginning, Mr. Derrick insists, we should develop plans to obtain adequate working capital with provisions for reserve funds or a surplus to meet unforseen emergencies.

The amount of capital needed, depends on the kind of business. A milk association, where there is a quick turnover and frequent settlements, might need less capital than a grain organization where the crop may be carried almost a year. The Extension and other educational forces which know the results of studies of co-ops in different lines in different parts of the country may be able to tell us about how much capital we will need for our co-op handling our kind of stuff in our part of the country.

There may be plenty of need for a co-op. There may be enough business around about to keep it going. We may be able to get a good manager, and enough to finance the association properly. But we may strike rough going soon, if we don't consider the members generally right from the start or before.

Of course, in drawing up the papers for the association, we had better see that it meets the requirements of the Capper-Volstead Law and the Agricultural Marketing Act. We want to be sure our co-op will be farmer owned and controlled and will stay that way.

Mr. Derrick points out, however, that it may be necessary first of all to get in the minds of our farmers the main aims and purposes of our co-op. He believes in not only pointing out the possibilities, but also the limitations. We can't expect to get all the business in our community. He is not much for this camp-meeting style of forming a co-op. Too often, he says, he has seen farmers in a meeting shouting "Aye," "Aye" to every proposal, and then next day having a mental relapse and wanting to back down.

He thinks we will get further in the long run, if we stick to a select member policy. By that, he means we don't want every producer unless that producer is financially able and cooperatively minded enough to market through our association.

In some cases, farmers have their production credit tied up with the crop. They are compelled to sell as soon as possible outside of the association, to meet their obligations. There is no use signing up a man, whom you know can't deliver.

Then there is the past reputation of the prospective member to be taken into consideration. We want members who have shown by their moral responsibility in past community efforts that they are good cooperators.

And if the member is not able to see his way clear to sell cooperatively, Mr. Derrick says he should not be held up to public ridicule.

Then another thing we should provide for in forming our co-op and that is to arrange so that members can get market information. They need as complete a market picture of the commodity as possible. The County Agent and other educational agencies will help analyze the market information so members will be better prepared to correctly judge the sales policies of the management.

Our new association can get help from the college people and extension men in getting a system of accounting and record keeping which will be uniform with other associations handling our commodity. The records should speak the same language, so it will be easier to compare the work of one association with another and locate troubles and iron out difficulties.

It may also be well to bear in mind the possibilities of affiliating our association with other associations in a regional or national chain of co-ops with a central selling organization.

Remember the chief things to bear in mind in forming a co-op are; First, the association must be needed; Second, it must have adequate volume of business. Third, it must have good management. Fourth, it must have enough capital. Fifth and Sixth it needs informed members, a select member policy, and market information, available to members and prospective members.